

Staff Reports

A. Approval of July 8, 2021 Meeting Minutes.

July 8, 2021 meeting minutes are included for approval by the committee.

B. Appointment of a Chairperson for the budget committee.

The committee members need to select a committee Chairperson.

C. Discussion regarding the Draft Fiscal Year 2022 - 2023 SSCSD Annual Budget.

Discussion regarding the Fiscal Year 22-23 Annual Budget.

D. Discussion regarding scheduling meeting dates for future committee meetings.

GES Staff is asking that the next committee meeting be scheduled for April 25, 2022 at 10 am. This meeting will be held via in-person and Mary Fleming (contractor from RCAC) who is working on the water portion of the rate study will be calling in with information for the committee. **Her availability is very limited.**

Additionally, a final version of the Budget needs to be presented to the Board at the June 14, 2022 meeting. Working backwards, the committee needs to present a DRAFT version of the budget to the Board at the May 10, 2022 meeting. Please keep these dates in mind as the committee moves forward in the budget creation process.

E. Discussion regarding special district reserve guidelines.

Two version of a draft policy are attached. One version was provided by RDN, the contractor who is working on the sewer portion of the rate study. A second draft version of a reserve policy for the District prepared by GES Staff is also attached. GES Staff is asking that the committee review the draft policy and provide feedback. Any edits or suggestions will be incorporated into the draft document and discussed during the next budget committee meeting. A final version will be presented to the Board for formal adoption of the policy at a future Board meeting.

F. Consideration of approval of a draft capitalization policy.

A draft version of a capitalization policy for the District is attached. GES Staff is asking that the committee review the draft policy and provide feedback. Any edits or suggestions will be incorporated into the draft document and a final version will be presented to the Board for formal adoption of the policy during the April Board meeting.

Document prepared by RDN:

Sewer Reserves and Policy Recommendations¹:

The level of reserves maintained by a utility is an important component of short and long-term financial management, and is a key consideration in the rate-setting process. While many utilities view higher levels of reserves as prudent and conservative planning that result in many benefits, some utilities philosophically view reserves as tying up current customer dollars that could be used for expenditures or other benefits. Regardless of the philosophical perspective on reserves, all utilities should establish formal or informal financial policies relative to reserves. Such policies should articulate how these balances are established, their use, and how the adequacy of each respective reserve fund balance is determined.

San Simeon CSD

Current:

Capital Reserve (\$155,785) – No Policy

See Balance Sheet 2021-10-31.pdf Line 3205 Equity, “board assigned for WW CIP”

Proposed:

Operating Reserve – 3 months of operating costs

Recommended: District should accumulate \$136,840 by FY 2026-27

Justification:

- The goal is to mitigate the effects of rate volatility. The most common metric used when evaluating operating reserve levels is a specified number of days or months of operating expenses (although there are sometimes other metrics that are used, such as a specific dollar value). When considering operating reserves as a number of days or months of operating expenses, it is important to consider the specific expenses to be included.
- Rate structure – the proportion of revenue generated in fixed versus variable rate components will impact the potential volatility of utility system revenue, since the District’s current rate structure is based completely on variable charges, the Operating Reserve is necessary to mitigate impacts from decreases in flow.
- Usage variability – changes in usage resulting from weather, conservation, economic factors, or larger customers vary by system and will impact the amount of operating reserves that should be maintained.

Capital (Rehabilitation and Replacement) Reserve – 20% of asset original cost

Recommended: District should maintain \$411,323 at all times in case of emergency, this amount can be built through the study period

¹ Based on the guidelines outlined in the California Special Districts Association Special District Reserve Guidelines Second Edition, 2013 and the American Water Works Association Cash Reserve Policy Guidelines, 2018

